

Chair Steve Ostler
Director Kevin S. Carter

**Board of Trustees
School & Institutional Trust Lands Administration
St. George, Utah
September 26, 2013**

Minutes

Attending:	Board	Staff
	Steve Ostler	Kevin Carter
	David Ure	John Andrews
	Louie Cononelos	Ron Carlson
	Jim Lekas	Lisa Schneider
	Tom Bachtell	Kim Christy
	Mike Mower	Deena Loyola
		Doug Buchi
		LaVonne Garrison
		Kyle Pasley
		Aaron Langston
		Michelle McConkie
		Elise Erler
		Nannette Johnson

Others in Attendance:

Representative Jon Stanard
Tim Donaldson, Utah State Office of Education
Paula Plant, Utah State Office of Education
Aaron Garrett, Utah State Office of Education
Margaret Bird, University of Utah/Utah State
Jonathan Bates, University of Utah
Bruce Williams, Utah State Office of Education
Karen Peterson, Utah PTA
Tom Marranzino, Anadarko Petroleum
Robin Olsen, Anadarko Petroleum
Carmen Snow, Director, Utahns for Public Schools
Don Peay, Utah Sportsman
Steve Hawks, USU, Moab
Robert Brennen, Brennen Holdings
Jim Raines, Bush and Gudgeon Engineering
Two officers of the St. George City Police Department

Minutes for the Board of Trustees
School & Institutional Trust Lands Administration
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Adjourn

1. **Welcome**

Chairman Steve Ostler conducted the meeting and welcomed those in attendance.

2. **Approval of Board Minutes**

The Board approved the minutes, with changes, for the August 20, 2013, Board meeting.

“I make the motion for approval of the minutes with the changes identified for August 20, 2013.”

Mower/Cononelos Unanimously approved

Roll Call:

Steve Ostler – yes	Dave Ure – yes
Louis Cononelos – yes	Jim Lekas – yes
Tom Bachtell – yes	Mike Mower – yes

3. **Confirmation of Upcoming Meeting Dates**

November 21	Salt Lake City
December	No Meeting

4. **Consent Calendar**

Consent

- a. Seep Ridge Oil Shale Leasing Unit

Notification

- b. Negotiated Sale to Kane County Water Conservancy District
- c. Kayenta DEVL 646 Modification to Acquire Seven Lots for Community Purposes

Follow-up after Six Months

- d. Amendment for Sun River Retirement Community
Henry Walker Homes on Green Springs Parcel
- e. Adoption of Grazing Assessments for 2013-14
Vice Chairman Dave Ure shared an opinion that the fees are on the low side. He also expressed a willingness to see how the fees play out over time. He suggested consideration of variables for winter and summer grazing fees in the next assessment.
- f. Magnum Gas Storage Lease Acreage Adjustment

Then Board members expressed no concerns. Therefore, all items on the Consent calendar will move forward as presented.

Tom Bachtell asked for a briefing on the Penstemon plant that is associated with oil shale outcrops. John Andrews provided information regarding the proposed listing for the White River and Grahams Penstemon. Both grow in oil shale outcrops and other locations. The BLM will not grant rights of way on lands accessed for development of oil shale that will disrupt the plant growth. The agency has contacted an outside scientific researcher to provide a response for a potential challenge of the listing. The agency is also working under the leadership of the Uintah County Attorneys' Office to look at the possibility of a plant conservation plan to prevent the need for a listing.

5. Chair's Report

a. Rocky Mountain Power Administrative Appeal - Status Update

In a conference call, Mr. Mark Burns of the Attorney Generals' Office provided an update to the Board. Tom Bachtell asked Mr. Burns to explain the Stay of Administrative Proceedings Motion before the Utah Supreme Court. Mr. Burns outlined the two parts of the proceedings for agency action and condemnation. Tom asked if the condemnation would trump the administrative appeal and if it would be best to wait for resolution of the condemnation issue. Mr. Burns indicated the condemnation would not address the administrative issue before the Board. He suggested the administrative issues move forward. Mr. Burns requested a motion by the Board to allow hearing officers to hear interim motions relating to finding of facts and conclusions of law.

"I move to allow the hearing officer to make decisions in procedural matters without bringing the issue to the Board to rule on motions and filings that arise in the process."

Bachtell/Lekas Unanimously approved

Roll Call:

Steve Ostler – yes	Dave Ure – yes
Louis Cononelos – yes	Jim Lekas – yes
Tom Bachtell – yes	Mike Mower – yes

6. Director's Report

a. Modification, Review, and Ratification of Book Cliffs Oil & Gas Agreement with Anadarko E & P Onshore, LLC - Grand & Uintah Counties - Lease Decision

Tom Bachtell recused himself from the topic by moving to the audience during the discussion and voting for this agenda item. Director Carter presented modifications that identify dates within the lease agreement:

Three Pines Unit
No change

One-eye Canyon
Date to exercise options to execute lease extend from January 2014 to Jan 2015

Bogart Canyon
Date to exercise option to execute lease from January 2014 to January 2016
Entry date changed from "on or before" to "no sooner than"
Seismic survey to commence after entry date but before May 1, 2017

Director Carter asked the Board to approve modifications in the agreement with Anadarko to allow the agency to execute a lease.

Prior to voting on the amendments, Chairman Ostler allowed the Board to ask questions. There were no questions from Board members. The Chairman reviewed the public comment policy stating that comments are to be kept to three minutes and if the combined public comment period is to go beyond 15 minutes, the Board is required to vote on extending the public comment period.

6. Director's Report (Cont'd)

- a. Modification, Review, and Ratification of Book Cliffs Oil & Gas Agreement with Anadarko E & P Onshore, LLC - Grand & Uintah Counties - Lease Decision (Cont'd)
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Mr. Don Peay spoke as a Utah sportsman. He outlined his background with American soldiers for an understanding of the need for energy development and quoted Jeff Foxworthy's comment at the Governor's Gala when he said, "God was showing off when he made this state." Mr. Peay stated that as a former member of the SITLA Board of Trustees he knows there is room for wildlife and the development of oil and gas in a win-win scenario. Mr. Peay stated his appreciation for the willingness expressed by the leaseholder (Anadarko) to minimize the impact on the land.

Carmen Snow is a former PTA President who she is not talking to the SITLA Board today, but to the public. She indicated the land being discussed is not public land. Despite the historic public use, the land belongs to Utah's public school system to be developed for revenue. She reviewed the proper procedure followed by SITLA to execute the lease with Anadarko. Ms. Snow expressed support for the responsibilities being accomplished by the Administration at SITLA and the Board of Trustees to work in the best interest of the beneficiaries.

Following public comments, the Board returned to the Director's request for a motion to approve the lease modifications and to ratify the prior agreement approved by the Board.

Mr. Cononelos asked to comment before considering the motion. He shared appreciation for the perspectives made public by those present at the meeting. He shared his experience with the large elk herd on Kennecott property that was transplanted from the Yellowstone area. The herd became so large while mining operations continued at Kennecott that 200 elk were captured and transplanted to Tennessee and Kentucky to restart their elk population. Mr. Cononelos stated it was his experience that hunting and natural resource development are not mutually exclusive. He emphasized the independence given to the SITLA Board in decision-making that is based on good historic and business reasoning. He closed by expressing distress and disagreement with the comment made public for the process not being transparent.

"I make the motion for the Board to approve modifications and to ratify the previously approved lease with Anadarko in the Book Cliff area."

Lekas/Mower Unanimously approved

Roll Call:

Steve Ostler – yes Dave Ure – yes Mike Mower – yes
Louis Cononelos – yes Jim Lekas – yes

Following the vote, Tom Bachtell rejoined the Board

b. Discussion of the Creation of an Advisory Committee Pursuant to State Statute 53C-1-204 (8) to Advise the Board and Agency on Development of Resources in the Book Cliffs
Director Carter reviewed the statute that allows the Board to create an advisory committee. He suggested the creation of a committee to advise the agency and Board on the development of resources in the Book Cliffs. He asked the Board to appoint a couple of Board members to work with the agency to come up with a recommendation on the makeup of the advisory committee, particularly with regard to such things as the number of committee members, who will be invited

6. Director's Report (Cont'd)

b. Discussion of the Creation of an Advisory Committee Pursuant to State Statute 53C-1-204 (8)

to be on the committee, and a charter to explain what the intent of the committee should be and how they will advise the Administration. The Board voted to approve work on a policy and the framework of the advisory committee.

"I make the motion for the Board to approve the actions to identify a policy and the framework including the makeup and purpose of an advisory committee."

Ure/Lekas Unanimously approved

Roll Call:

Steve Ostler – yes	Dave Ure – yes
Louis Cononelos – yes	Jim Lekas – yes
Tom Bachtell – yes	Mike Mower – yes

Chairman Ostler appointed Jim Lekas and Tom Bachtell to work with Director Carter to prepare a recommendation to the Board regarding the makeup of the committee, the number of participants, and a charter for the committee's responsibilities.

c. Opportunity to Irrigate Trust Lands in Washington County

Kim Christy referenced the memorandum provided to Board members prior to the meeting and emphasized that Washington County is generally closed to appropriations. The only potentially viable source of water appears to be through the Washington County Water Conservancy District. However, it remains to be seen whether a lease with the district would be economically viable. He also addressed the prospect of pursuing the development of water in Arizona and exporting the water into Utah. Mr. Christy referenced the recommendation by Board member Tom Bachtell to pursue the feasibility of options. Chairman Ostler assigned Tom Bachtell and Vice Chairman Dave Ure to evaluate the matter further with staff.

d. Transaction Proposal for Green Springs North Parcel - 128 Acres at Milepost 13

Doug Buchi reviewed the transaction to create 239 lots for development. The lots were presented in a memorandum and on a Board tour. Mr. Buchi outlined the 5.5% discount associated with the low risk of the transaction. He also brought to the Board's attention a recent court filing related to a dispute over approximately 5.5 acres filed by an adjoining property owner. The developer for this proposal before the Board suggested removing the acres in dispute from the proposal until the matter is resolved. Mr. Buchi asked the Board to consider approval of the proposed transaction without the acres in dispute.

"I move the Board approve the transaction for Green Springs North Parcel for 128 acres at Milepost 13, less the contested acres."

Mower/Ure Unanimously approved

Roll Call:

Steve Ostler – yes	Dave Ure – yes
Louis Cononelos – yes	Jim Lekas – yes
Tom Bachtell – yes	Mike Mower – yes

e. Transaction Proposal for Sienna Hills, Parcels Three and Four, at Milepost 13

Doug Buchi reviewed the proposal outlined on the tour and in a memorandum to the Board. The Board approved the transaction in a unanimous vote.

"I move the Board approve the proposed Sienna Hills transaction, parcels Three and Four, at Milepost 13."

Ure/Bachtell Unanimously approved

Roll Call:

Steve Ostler – yes	Dave Ure – yes
Louis Cononelos – yes	Jim Lekas – yes
Tom Bachtell – yes	Mike Mower – yes

Vice Chairman Ure expressed appreciation for the clear presentation of the transaction.

f. Tooele Water Rights Acquisition Follow-up to March Meeting

Elise Erler outlined two water rights acquisitions in the Rush Valley area. The Board voted to approve the purchase of water rights identified as the Christensen purchase in a majority vote. The Board did not approve the second acquisition. Doug Buchi will arrange a site visit with Board members Louie Cononelos and Dave Ure to further research the acquisition. Tim Donaldson asked for a compelling business reason for acquiring the rights. Mr. Buchi will resubmit a proposal in November with the results of the site visit and information related to the return on investment. Mr. Buchi reminded the Board of the direction received at previous Board meetings to seek opportunities to acquire water rights. These acquisition proposals are in response to the direction given.

Board members confirmed their stand on the value of water rights. However, additional information is required for support of the second acquisition in the proposal.

"I move the Board approve the acquisition of water rights identified as the Christensen purchase and delay on the second acquisition."

Mower/Cononelos Passed by majority vote

Roll Call:

Steve Ostler – no	Dave Ure – yes
Louis Cononelos – yes	Jim Lekas – no
Tom Bachtell – yes	Mike Mower – yes

Vice Chairman Ure asked that future proposals with specific and identifying information for a transaction be discussed in closed session before presented in open session for a Board vote to preserve the Administration options in negotiating in the best interest of the beneficiaries.

g. USU – Moab Land Exchange and Cash Payment

Doug Buchi outlined the difficulty in identifying a land-for-land exchange related to the USU project in Moab. Based on the difficulties, USU indicated they would pay the difference in cash, as needed. Steve Hawks of USU was present and spoke in favor of the exchange. The Board voted unanimously to approve the exchange and cash purchase proposed.

“I move the Board approve the USU-Moab land exchange and cash payment.”

Mower/Cononelos Unanimously approved

Roll Call:

Steve Ostler – yes	Dave Ure – yes
Louis Cononelos – yes	Jim Lekas – yes
Tom Bachtell – yes	Mike Mower – yes

h. OBA with Summit Corporation in Grand County for 154.38 acres

LaVonne Garrison provided details for the arrangement with Summit Corporation indicating limited information is available on the previous leaseholder. It was not possible to determine if oil was extracted in any previous drilling. The new arrangement will seek to extract oil at the site. The Board voted unanimously to approve the Other Business Arrangement.

“I move the Board approve the OBA with Summit Corporation in Grand County for 154.38 acres.”

Bachtell/Lekas Unanimously approved

Roll Call:

Steve Ostler – yes	Dave Ure – yes
Louis Cononelos – yes	Jim Lekas – yes
Tom Bachtell – yes	Mike Mower – yes

Vice Chairman Ure asked that titles for agenda items be more descriptive to be clear what the Board will consider for approval at the meeting. Director Carter indicated descriptive titles would be available for approval in the agenda review process with the Chair and Vice Chair.

i. Initial Discussion Regarding Parameters for Agency Participation in Eastern Utah Congressional Land Exchange

Director Carter discussed a proposal for the Eastern Utah Congressional Land Exchange to inform the Board that the agency is engaged in the process. He presented preliminary maps of land to acquire and land to offer in exchange. The Board voted unanimously to support participation in Eastern Utah Congressional Land Exchanges.

Tom Bachtell expressed confusion over the statement that everyone would give something up to make the deal work. He felt that would conflict with the mandate for us to manage trust lands in the best interest of the beneficiaries.

6. Director's Report (Cont'd)

i. Initial Discussion Regarding Parameters for Agency Participation in Eastern Utah Congressional Land Exchange (Cont'd)

Director Carter provided explanation of his understanding of the statement as it applies to SITLA by reporting there may be scattered sections that the agency might want to keep, but would have to include in the exchange package in order to get better land package overall.

Jim Lekas asked for regular updates with justifications for land selections and offers. Director Carter indicated the next update would be presented at the November Board meeting.

Mike Mower identified the potential for a win-win for all. He is also interested in Board review of opportunities for all parcels to be considered.

"I make the motion the Board support the Administration and the Exchange Committee in going forward with the parties involved in the Eastern Utah Congressional Land Exchange."

Ure/Lekas Unanimously approved

Roll Call:

Steve Ostler – yes	Dave Ure – yes
Louis Cononelos – yes	Jim Lekas – yes
Tom Bachtell – yes	Mike Mower – yes

Chairman Ostler expressed gratitude for support in the last month provided by the Board members and staff while addressing a difficult issue. Tom Bachtell thanked the Chairman for his strong stand on behalf of the entire Board.